COMPANY RESULTS

Sunway (SWB MK)

2Q25: Miss Expectations; Expect To Ramp Up Launches In 4Q25

Sunway's results missed our expectations due to higher-than-expected costs. 7M25 sales are on track, achieving 64% of the full-year sales target, underpinned by the strong take-up of Otto Place launched in Jul 25. We remain positive on Sunway, backed by launch ramp-up into 4Q25 and near-term catalysts from the conversion of Medini land to freehold status and healthcare listing in early-26, which should unlock shareholder value. Maintain BUY with a lower target price of RM5.70 (from RM5.81).

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	1Q25	2Q24	qoq %chg	yoy % chg	1H25	yoy % chg
Revenue	**2,561.6**	**2,367.0**	**1,579.9**	**8.2**	**62.1**	**4,928.7**	**64.4**
Property Development	351.4	263.3	371.9	33.5	(5.5)	614.7	(6.8)
Construction	1,268.6	1,238.1	381.1	2.5	232.8	2,506.6	232.6
Property Investment	223.0	246.4	231.0	(9.5)	(3.5)	469.3	1.6
Pre-tax profit	**396.0**	**304.1**	**341.0**	**30.2**	**16.1**	**700.1**	**23.3**
Property Development	52.2	33.4	70.1	56.3	(25.6)	85.6	(21.5)
Construction	134.8	114.5	52.4	17.7	157.0	249.3	163.0
Property Investment	76.3	92.3	86.2	(17.3)	(11.4)	168.6	8.4
*Healthcare PAT (equity accounting)	35.5	31.8	49.3	11.8	(28.0)	67.3	(21.8)
PATAMI	**273.0**	**190.6**	**270.5**	**43.2**	**0.9**	**463.5**	**4.7**
Core net profit	**231.7**	**205.4**	**234.2**	**12.8**	**(1.1)**	**437.1**	**8.0**
Pre-tax Margins (%)	**%**	**%**	**%**	**+-ppt**	**+-ppt**	**%**	**+-ppt**
Property Development	14.8	12.7	18.9	2.2	(4.0)	13.9	(2.6)
Construction	10.6	9.3	13.8	1.4	(3.1)	9.9	(2.6)
Property Investment	34.2	37.5	37.3	(3.2)	(3.1)	35.9	2.3

Source: Sunway, UOB Kay Hian

RESULTS

- **Missed expectations.** Sunway Berhad (Sunway) reported 2Q25 core net profit of RM232m (+13% qoq, -1% yoy) on revenue of RM2,562m (+8% qoq, +62% yoy). This brings 1H25 core net profit to RM437m, accounting for 40%/41% of our/consensus full year forecasts. The earnings shortfall was due to a higher tax rate and property development costs coming in higher than our estimates. We derived our 2Q25 core net profit after excluding an exceptional gain of RM41m, mainly on net gain on derivatives.
- **Net gearing ratio improved** to 0.39x as of end-Jun 25 (vs 0.41x as of end-Mar 25).

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	6,136.2	7,882.5	8,960.0	9,488.5	10,579.1
EBITDA	808.0	1,031.4	1,214.4	1,428.6	1,647.4
Operating profit	666.6	887.3	1,019.1	1,197.0	1,376.6
Net profit (rep./act.)	789.2	1,154.2	976.5	1,181.9	1,277.6
Net profit (adj.)	750.6	1,005.8	976.5	1,181.9	1,277.6
EPS (sen)	12.6	15.1	14.7	17.7	19.2
PE (x)	39.3	32.9	33.9	28.0	25.9
P/B (x)	2.1	2.2	2.1	2.0	1.9
EV/EBITDA (x)	45.8	34.9	31.1	26.9	23.8
Dividend yield (%)	1.1	1.2	1.2	1.4	1.5
Net margin (%)	12.2	12.8	10.9	12.5	12.1
Net debt/(cash) to equity (%)	53.1	43.5	53.1	53.6	55.1
Interest cover (x)	11.4	164.3	12.8	11.4	17.3
ROE (%)	7.0	9.0	8.5	10.0	10.4
Consensus net profit	-	-	1,074.0	1,181.0	1,328.0
UOBKH/Consensus (x)	-	-	0.9	1.0	1.0

Source: Sunway, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM4.97
Target Price	RM5.70
Upside	+14.7%
(Previous TP	*RM5.81)*

COMPANY DESCRIPTION

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SWB MK
Shares issued (m):	6,225.4
Market cap (RMm):	30,940.0
Market cap (US$m):	7,305.8
3-mth avg daily t'over (US$m):	8.4

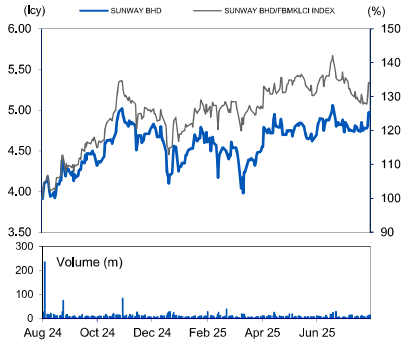
Price Performance (%)

52-week high/low RM5.16/RM3.84

1mth	3mth	6mth	1yr	YTD
3.1	5.7	5.7	20.6	3.8

Major Shareholders	**%**
Sungei Way Corp Sdn Bhd	45.5
Jef-San Enterprise Sdn Bhd	10.2
EPF	7.5
FY25 NAV/Share (RM)	1.25
FY25 Net Debt/Share (RM)	0.41

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Softer property development segment.** 2Q25 revenue and pre-tax profit declined to RM351m (-6% yoy) and RM52m (-26% yoy), respectively, due to lower progress billing and progressive profit recognition from local and overseas development projects. 2Q25 property sales came in at RM745m (+34% qoq), bringing 1H25 sales to RM1.3b. For 7M25, Sunway's sales and launches arrived at RM2.3b and RM1.5b respectively. The strong 7M25 figure was mainly due to the strong demand from Otto Place's launch (RM1.2b effective GDV), of which take-up reached 91% as of 20 Aug 25. Looking ahead, it expects to launch a total GDV of RM2.04b (from Sunway Serene 2, Sunway Cochrane, Sunway Majestic, and Sunway LakeHills). Sunway's overall property segment remains resilient, supported by strong unbilled sales of RM3.7b (vs 1Q25: RM4.1b).
- **Healthcare: Strong metrics with higher bed capacity (+42% yoy) and inpatient admissions (+7% yoy).** However, the segment's 2Q25 net profit share declined 28% yoy to RM36m, weighed by the gestation period of two new hospitals. Excluding the impact, the segment grew 17% yoy, mainly from stronger operating results for SMC Sunway City, SMC Velocity, and SMC Penang. On a sequential basis, the segment's net profit share improved (+12% qoq) supported by higher licensed beds at 1,647 (1Q25: 1,482) and occupancy rate at 65% (1Q25: 62%).
- **Construction: Strong orderbook replenishment from data centre projects.** The construction segment's pre-tax profit surged to RM135m (+157% yoy) in 2Q25 driven by the accelerated progress in data-centre projects. We expect data centre (DC) projects to anchor the segment's earnings for 2025, currently making up 45% of its existing orderbook of RM6.7b.
- **Healthcare listing on track for early-26.** We estimate a potential market valuation of RM16b-19b, based on 22-26x 2027 EBITDA of RM765m. As Sunway is likely to retain a majority stake post-listing, the potential proceeds of RM4.8b-5.7b (assuming a 30% stake sale) could lower net gearing to 5-11% (from 39% as of end-2Q25), creating substantial debt headroom for the group to fund its property development segment.
- That said, our current SOTP based valuation for Sunway's 84% stake in hospitals is valued at around RM14b, based on an estimated EBITDA of around RM657m in 2026 (2-year CAGR of 18%). We derive our EBITDA estimates on the following assumptions: a) 2,200 bed capacity, b) 80% average bed occupancy rate, c) revenue per bed of RM1.5m, and d) EBITDA margins of 26%.

EARNINGS REVISION/RISK

- We cut our earnings estimate by 11%/1%/2% for 2025-27F on lower margin assumption.

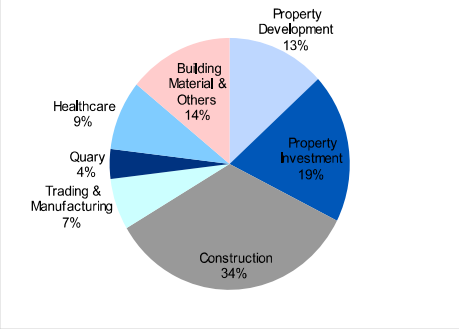
VALUATION/RECOMMENDATION

- **Maintain BUY and lower target price to RM5.70 (from RM5.81),** as we cut our earnings estimates and incorporate our latest construction segment valuation. Our target price is based on SOTP valuation and implies 33x 2026F PE and 30x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.4x 2026F PB (+2SD above its 10-year mean of 1.2x).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

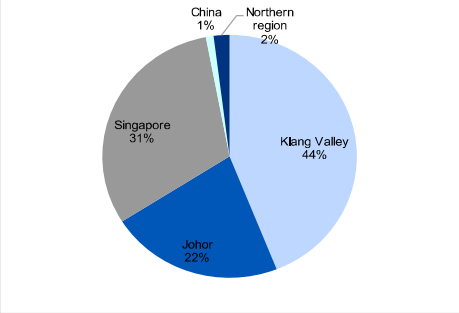
• **Environmental**
- Installed photovoltaic solar panels at most of its properties.
• **Social**
- Launched Sunway Cancer Support Fund.
• **Governance**
- Good company transparency along with an anti-bribery and anti-corruption policy.

PBT BREAKDOWN (2Q25)



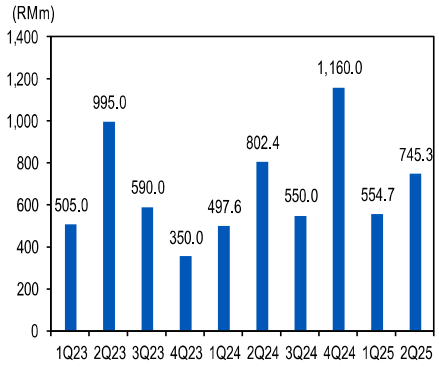
Source: Sunway, UOB Kay Hian

PROPERTY SALES BY GEOGRAPHY (2Q25)



Source: Sunway, UOB Kay Hian

PROPERTY QUARTERLY SALES TREND



Source: Sunway, UOB Kay Hian

SOTP-BASED VALUATION

Segment	(RMm)	% of SOTP	Remarks
Property development	12,225	32%	7% discount to property RNAV
REIT (40.9% stake)	2,871	8%	Valuation based on TP of RM2.05, based on DDM
Construction (54.4% stake)	4,410	12%	Valuation based on TP of RM6.27, 21x 2026F PE
Quarry & building materials	462	1%	15x PE 2026F quarry profits
Trading	1,092	3%	15x PE 2026F trading profits
Investment Properties	3,390	9%	Market Value
Healthcare (84% stake)	13,800	36%	25x EV/EBITDA 2026F; 2026F EBITDA RM657m
Less: Holding co (debt)/ cash	-292	-1%	
Total SOTP value	**37,956**		
Enlarged share base (m)	6,660		
Target Price (RM)	**5.70**		

Source: Sunway, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**7,882.5**	**8,960.0**	**9,488.5**	**10,579.1**
EBITDA	1,031.4	1,214.4	1,428.6	1,647.4
Deprec. & amort.	144.1	195.3	231.5	270.7
EBIT	887.3	1,019.1	1,197.0	1,376.6
Associate contributions	643.1	431.7	510.6	448.1
Net interest income/(expense)	(6.3)	(94.6)	(125.4)	(95.2)
Pre-tax profit	**1,524.1**	**1,356.2**	**1,582.2**	**1,729.5**
Tax	(241.8)	(271.2)	(269.0)	(294.0)
Minorities	(128.0)	(108.5)	(131.3)	(157.9)
Net profit	**1,154.2**	**976.5**	**1,181.9**	**1,277.6**
Net profit (adj.)	1,005.8	976.5	1,181.9	1,277.6

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,370.1	7,326.3	7,817.1	8,340.1
Other LT assets	10,349.6	10,781.3	11,291.9	11,740.0
Cash/ST investment	4,355.7	2,613.5	2,144.3	1,478.4
Other current assets	10,435.0	10,986.1	11,484.0	12,511.5
Total assets	**31,510.4**	**31,707.3**	**32,737.3**	**34,070.0**
ST debt	5,971.8	5,971.8	5,971.8	5,971.8
Other current liabilities	3,944.7	3,447.2	3,636.7	4,045.0
LT debt	4,905.4	4,905.4	4,905.4	4,905.4
Other LT liabilities	750.8	750.8	750.8	750.8
Shareholders' equity	14,990.4	15,576.3	16,285.4	17,052.0
Minority interest	947.2	1,055.7	1,187.1	1,345.0
Total liabilities & equity	**31,510.4**	**31,707.3**	**32,737.3**	**34,070.0**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**1,574.1**	**(569.4)**	**851.2**	**734.2**
Pre-tax profit	1,524.1	1,356.2	1,582.2	1,729.5
Tax	(241.8)	(271.2)	(269.0)	(294.0)
Deprec. & amort.	144.1	195.3	231.5	270.7
Associates	(643.1)	(431.7)	(510.6)	(448.1)
Working capital changes	330.7	(1,512.6)	(308.4)	(619.2)
Non-cash items	460.2	94.6	125.4	95.2
Investing	**(26.3)**	**(687.6)**	**(722.3)**	**(793.8)**
Capex (growth)	(427.7)	(587.6)	(622.3)	(693.8)
Investments	0.3	(100.0)	(100.0)	(100.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	401.1	0.0	0.0	0.0
Financing	**572.5**	**(485.2)**	**(598.2)**	**(606.3)**
Dividend payments	(297.5)	(390.6)	(472.8)	(511.0)
Issue of shares	217.4	0.0	0.0	0.0
Proceeds from borrowings	1,340.2	0.0	0.0	0.0
Others/interest paid	(687.5)	(94.6)	(125.4)	(95.2)
Net cash inflow (outflow)	2,120.4	(1,742.2)	(469.2)	(665.9)
Beginning cash & cash equivalent	2,235.3	4,355.7	2,613.5	2,144.3
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	4,355.7	2,613.5	2,144.3	1,478.4

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	13.1	13.6	15.1	15.6
Pre-tax margin	19.3	15.1	16.7	16.3
Net margin	12.8	10.9	12.5	12.1
ROA	4.0	3.9	4.6	4.8
ROE	9.0	8.5	10.0	10.4
Growth				
Turnover	28.5	13.7	5.9	11.5
EBITDA	27.6	17.7	17.6	15.3
Pre-tax profit	53.4	(11.0)	16.7	9.3
Net profit	46.3	(15.4)	21.0	8.1
Net profit (adj.)	34.0	(2.9)	21.0	8.1
EPS	19.5	(2.9)	21.0	8.1
Leverage				
Debt to total capital	68.2	65.4	62.3	59.1
Debt to equity	72.6	69.8	66.8	63.8
Net debt/(cash) to equity	43.5	53.1	53.6	55.1
Interest cover (x)	164.3	12.8	11.4	17.3

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